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House Unit Votes to Aid Soviet Automobile Plant

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A House subcommittee endorsed a plan yesterday in which the United States would supply at least \$50 million worth of machine tools for an automobile plant to be built in the Soviet Union.

The plan is part of the largest East-West trade deal ever undertaken and involves initial Soviet investments of \$1.2 billion.

Under it, the Fiat motor company of Italy will build an automobile plant which by itself could triple Russian passenger car production to more than 700,000 units a year by 1975. Total output from all Soviet plants by 1975 could reach 1.1 million vehicles.

The plant itself is expected to cost \$800 million. Of this sum, about \$350 million will be spent to buy machinery in the West.

The Fiat company currently plans to spend about \$50 million on direct purchases of

machine tools in the United States. An undetermined sum is to be spent on purchases from U.S. licensees and subsidiaries in Europe. According to some estimates, this could amount to another \$50 million.

The plan was endorsed by the Subcommittee on International Trade of the House Banking and Currency Committee under the chairmanship of Rep. Thomas L. Ashley (D-Ohio). The subcommittee studied the deal under the terms of a House resolution passed last year.

The subcommittee was careful to point out in its report that establishment of the plant—and the use of U.S. equipment in it—would not increase the Soviet Union's defense potential. It quoted the following statement by Secretary of State Dean Rusk last fall:

"It is the judgment of the Defense Department, shared by Gen. (Earle G.) Wheeler of the Joint Chiefs of Staff, that a loan that would induce the

Soviet Union to devote greater resources to the production of consumer goods at the expense of applying those resources to military purposes is in our national interest."

The reference to a loan concerns the mechanism by which the direct purchases in the United States would be paid for.

Under current proposals, the Export-Import Bank would supply credits to IMI, an Italian financial institution. Fiat would use the credits to buy the equipment. Thus there would be no direct sales to the Soviet Union.

President Johnson endorsed this plan in his speech last Oct. 7 in which he enunciated his policy of "building bridges" to the East.

Despite the contemplated increase in Soviet automobile production, the Fiat deal and other plans to expand production will fall far short of putting a car within reach of the average Russian.